



The Trusted Choice

Michigan Association of Insurance Agents  
Representing Independent Agents

Senate Insurance Committee

October 16, 2012

Dear Mr. Chairman and Members,

In the 2007 – 2008 Session, as part of the Individual Market Reform (IMR) package, legislation was proposed (HB 5284) that would allow The Accident Fund (AF) to sell other lines of insurance. With amended language that prevented the AF from receiving significant competitive advantages because of its relationship to BCBSM, the Michigan Association of Insurance Agents supported the bill.

Although not spelled out explicitly, allowing BCBSM to be governed under the insurance code as a non-profit mutual disability insurer in SB <sup>1223</sup>~~1223~~ and <sup>1224</sup>~~1224~~ would have a similar impact:

- There would be no restrictions on the AF from selling other lines of insurance;
- There would be no restrictions on the bundling of products of both the AF and BCBSM or other subsidiaries;
- There could be a free flow of capital, information, clients, contracts, etc., between BCBSM and the AF and its other subsidiaries;

MAIA supports additional competition into the insurance market place and the AF selling other lines of insurance. However, just as the proponents of SB ~~1223-24~~ desire a "level playing field" in the rate setting process, MAIA desires a level playing field in the market place. We would encourage the committee to strongly consider adding similar language to HB 5284\* that passed the house in 2007 and that would address the impacts noted above.

One other concern to consider would be the likely impact this change will have on agents, and as a result, on health insurance consumers. Whereas today, any licensed health agent can access BCBSM products under PA 350, under the insurance code, agents will need to be appointed by BCBSM to represent them. Although BCBSM has stated that their current plan is to maintain their distribution network, past experience with the AF conversion from state to private ownership would indicate that over time, access will be limited to fewer agents. Limiting agent access will in effect limit traditional consumer access points and likely result in both individuals and employers being forced to utilize the federal health insurance exchange to satisfy the requirements of the PPACA.

Scott Hummel  
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Michigan Association of Insurance Agents

\*HB 5284 for the 2007-2008 session with language addressing cross subsidization and bundling on pages 6 and 10: <http://www.legislature.mi.gov/documents/2007-2008/billengrossed/House/pdf/2007-HEBH-5284.pdf>

